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SUBJECT: KOSOR GROWING IN CONFIDENCE; FIRMER MANAGEMENT OF
GOVERNMENT AND THE HDZ

REF: A. ZAGREB 685
[1](#)B. ZAGREB 650
[1](#)C. ZAGREB 653

Classified By: Rick Holtzapple, POL/ECON, Reasons 1.4 B/D

[1](#)1. (U) SUMMARY: Prime Minister Jadranka Kosor has been growing in confidence in her role as premier since assuming office unexpectedly in July 2009. She has moved steadily to implement a 3-track agenda, which has earned public support for her personally and halted her party's (Croatian Democratic Union-HDZ) decline in the polls. Kosor has focused on getting Croatia's EU bid back on track, taken a refreshingly aggressive stance against corruption, and hammered out a budget for 2010.

[1](#)2. (U) Her "success" vis-a-vis the Croatian-Slovenian border dispute is widely seen as finding a narrow strip of common ground between Croatia and Slovenia that eluded her predecessors. Meanwhile the public and pundits alike have remarked on a series of indictments and investigations that have not spared HDZ elites and demonstrate heretofore absent political will to tackle corruption at the highest levels. Passage of the 2010 budget on December 2 represents perhaps her most qualified success among her three priority undertakings. The budget is not convincing as a response to the financial crisis, but she nonetheless was able to craft a compromise that was supported by her entire coalition government. END SUMMARY

A THREE ITEM AGENDA

[1](#)3. (U) With the Croatian Parliament's nearly unanimous support for the passage of the arbitration agreement with Slovenia, PM Kosor has done what no previous Croatian premier could do, finding common ground with Ljubljana regarding the way forward on the 18-year long border dispute (REF A). Local media have called the deal historic, and have praised Kosor for having the courage to face down critics and find a carefully worded compromise agreement. With the passage of the arbitration agreement the PM has done all she can to remove Slovenia's reservations on Croatia's EU bid and get the accession negotiations back on track.

[1](#)4. (SBU) Kosor's initial approach to anti-corruption issues is markedly different from her predecessor, Ivo Sanader. Zagreb was abuzz in late September and October as news began to trickle out that Kosor had put her own party on notice that she would give full support to law enforcement officials who are following the evidence and pursuing corruption and embezzlement cases -- particularly as they relate to state-owned companies. In the weeks that followed, we have seen the indictment of former Defense Minister Berislav Roncevic, the resignation and possible pending indictment of Deputy PM Damir Polancec, and numerous investigations of malfeasance at a wide variety of major state-owned enterprises, which are predominately stuffed with HDZ party loyalists at the highest-levels. Most recently, the arrests in late November of five executives from the state-owned

Croatian Motorways for alleged embezzlement could bring down the powerful HDZ Vice President and current Minister of Transportation Bozidar Kalmeta.

15. (SBU) It may be too early to label these anti-corruption efforts "successful" -- actual convictions with tough sentences will need to materialize -- but it is a visible sign that Kosor wants to seriously address how her administration is viewed and her party conducts itself. Additionally, Kosor recently floated the proposal that her government might ban the staffing of the supervisory boards of state-owned companies with non-professional political appointees. This move, if enacted, would fundamentally change the way the HDZ operates and bolsters its party base.

16. (SBU) Another of Kosor's major political challenges has been passing a budget for 2010. Details of the budget are reported septel, but the proposal adopted by parliament on December 2 enjoyed support across the coalition. In part, the absence of in-fighting results from a willingness to use optimistic revenue assumptions, and an inclination to target spending reductions almost exclusively on discretionary spending such as major infrastructure projects, while preserving wages and pensions. Therefore, the government will need to borrow substantially in 2010 and probably faces a mid-year budget rebalance in which it will be much harder to spare public sector workers and pensions. Kosor's consultative style helped smooth the budget's path to adoption, but political considerations also appear to have led her to take a more cautious approach on the budget than she has with either the Slovenia or corruption issues. Kosor wants to wait until after the December/January presidential elections -- which would also give her new economic minister

and economic advisors some time to formulate priorities -- before making more controversial moves regarding unpopular budget cuts.

NEW STYLE; MOSTLY THE SAME TEAM

17. (SBU) Kosor has not made many changes in personnel at either the ministerial level or within the PM's office. Her progress thus far in realizing her agenda is a result of her personal style of consultative engagement and the empowerment of her staff and ministers. Despite initial concerns that she lacked the charisma and personal connections to keep her coalition government together, her willingness to listen and seek input has won her universal praise from all her coalition partners. From private conversations with Embassy staff to public comments in the media, all the parties of the ruling coalition are pleased with their newfound ability to get meetings with the PM, as well as to have their issues heard and discussed at government sessions. Not surprisingly, they seem to feel they have a greater chance to influence policy and legislation.

18. (C) In general, Kosor is much more willing than her predecessor to seek advice and delegate on matters where she has little personal expertise. On foreign policy this has been a chance for career diplomat and State Secretary for Political Affairs Davor Bozinovic as well as the PM's Foreign Policy Advisor Davor Stier to shine. FM Jandrokovic has also been given more discretion to set the priorities of the MFA, but Kosor frequently -- particularly regarding the border issue -- has favored going directly to Bozinovic and Stier for advice. On economic matters, Kosor has repeatedly sought expertise outside the government and from technocrats. Early on in her mandate she made a point to establish a rapport with Central Bank Governor Rohatinski and his staff, but also Chamber of Commerce President Vidosevic and the Economic Institute of Zagreb's Zeljko Lovrinevic. More recently, after Deputy PM Economic Minister Damir Polancec resigned, Kosor moved to replace him with the non-partisan President of the Employer's Association, Duro Popijac, which is in keeping with her inclination toward independent advice in the area of economics (REF B).

19. (U) In that same manner, Kosor recently appointed Ljubo

Jurcic, the opposition SDP's former economic strategist, to head the supervisory board of the state-owned firm Podravka and help guide the company back to solid profitability as it struggles with a scandal involving HDZ-affiliated senior-level company officials. Kosor has also repeatedly invited the head of the opposition Croatian People's Party, Radimir Cacic, to present his ideas on how best to address Croatia's economic problems. Cacic, thus far, has balked at the idea of seriously helping Kosor formulate a new economic policy, likely out of concern about being closely associated with the government's economic policies in such a difficult environment.

¶10. (C) Kosor carefully manages everything regarding the nature of her public appearances from her choice of fashion -- including choosing brooches to send political messages -- to whom she meets with and under what circumstances. Unlike her predecessor who cultivated a very macho image, the public has warmed to Kosor's softer, more compassionate persona. Kosor does not like to be associated with people or issues that could "tarnish" her image as an honest, hardworking public servant. She can take criticism -- by the media or opposition -- to heart and from what we can judge from her appearances in the Sabor she does not particularly enjoy rancorous parliamentary debate.

¶11. (C) Within the HDZ, Kosor has managed to solidify her position as the head of the party. She has a long friendship and the backing of Deputy Speaker of Parliament, Vladimir Seks, and several of his key lieutenants within the HDZ, including HDZ Secretary General Branko Bacic, Minister of Veteran Affairs and Intergenerational Solidarity Tomislav Ivic, and Minister of Administration Davor Mlakar. Additionally, Kosor has shored up her support among the HDZ's base with the elevation of Health Minister Darko Milinovic and Finance Minister Ivan Suker to Deputy PM posts, and she appears to have the solid support of Minister of Transportation and Zadar party boss Bozidar Kalmeta. (NOTE: The latter could be tested as corruption investigations into state enterprises under Kalmeta's authority, such as Croatian Highways, progress. END NOTE.) Kosor's early gambits in July and August of demanding party support or forcing new elections have evolved into cultivating support from key HDZ-figures for her policies. She now seems able to count on the majority of party as she moves forward.

¶12. (C) Perhaps in part because there were very low expectations among the public that Kosor would be able to

keep the coalition government together and survive the summer, Kosor's recent successes have pleasantly surprised most of the media and the public. Her poll numbers have risen steadily since August 2009, and the falling support for the HDZ has even begun to be reversed in recent weeks. Given that most of Kosor's team includes names inherited from former PM Ivo Sanader, the question that remains is whether Kosor will move to re-shuffle her government in the aftermath of the December-January presidential elections. Many have speculated that Kosor did not want to replace ministers in the midst of campaign out of concern that press reports of HDZ ministers being replaced for poor performance would discourage the HDZ-base and harm the chances of the HDZ's candidate for president, Andreja Hebrang. As Kosor's confidence grows we will see if it is matched by an increasingly bold agenda to rightsize the economy and follow-through on her anti-corruption campaign.

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